



## Audit Committee

### 2<sup>nd</sup> November 2022

<b>Title</b>	<b>Update on the audit of the 2020/21 Statement of Accounts</b>
<b>Report of</b>	Executive Director of Strategy and Resources
<b>Wards</b>	All
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	Appendix A – update from BDO (to follow)
<b>Officer Contact Details</b>	Anisa Darr – Executive Director of Strategy and Resources <a href="mailto:Anisa.Darr@Barnet.gov.uk">Anisa.Darr@Barnet.gov.uk</a> 020 8359 7634

### Summary

The external audit of the Council's Statement of Account is undertaken by BDO.

BDO were presented with the draft financial statements (including the Pension Fund accounts) on 30<sup>th</sup> July 2021 and the draft accounts were published by the end of July 2021 in line with the Accounts and Audit Regulations 2015.

The 2015 Regulations require that the final approved accounts are published no later than 30<sup>th</sup> September of the financial year immediately following the end of the financial year to which the statement relates.

BDO advised Audit Committee in July 2021 that they were not able to commence the audit until September, it was therefore not possible for them to conclude their audit in line with the statutory deadline.

BDO presented a draft completion report to Committee in December 2021 and again in February 2022.

Audit Committee in February 2022:

- approved, subject to there being no material amendments, the Statement of Accounts for 2020/21 and recommended that they be signed by the Chairman and the Executive Director of Resources (Statutory 151 Officer) on behalf of the Council.
- delegated to the Executive Director of Resources (Statutory 151 officer) the ability to make necessary amendments to the statement of accounts, in so far as there is no material impact on the General Fund, based on any subsequent findings of the External Auditor.

No material impacts have been found since the last update provided to Committee and this report provides an update on the factors that are delaying the sign off of the council's 2020/21 Accounts.

The final Statement of Accounts, including the Pension Fund accounts, will be published on the council's website once BDO have provided their Audit Opinion for inclusion in the Statement of Accounts.

## **Officers Recommendations**

- 1. That the committee notes the factors that are delaying the sign off of the council's 2020/21 Statement of Accounts.**

### **1. WHY THIS REPORT IS NEEDED**

- 1.1 Under Section 151 of the Local Government Act 1972- "...every local authority shall make arrangements for the proper administration of their financial affairs". Additionally, in accordance with International Standard on Auditing (ISA) 260, the external auditor is required to issue detailed reports on matters arising from the audit of the council's accounts and pension fund accounts.
- 1.2 There are three outstanding audit queries relating to Property, Plant and Equipment which officers are aiming to get resolved by the end of September. There is also an on-going issue relating to the reporting of infrastructure assets which has led to delays in local authority audits, principally for highways authorities. Further details and a description of the issue can be found in the background papers to this report.
- 1.3 CIPFA LASAAC (Local Authority (Scotland) Accounts Advisory Committee) and CIPFA's Accounting and Financial Reporting Forum established a Task and Finish Group to assist with the resolution of this issue and, following the advice of the Task and Finish Group, CIPFA LASAAC proposed a temporary solution, including proposals to:
  - confirm the accounting consequences of derecognition, i.e. that the effect on the carrying amount is nil (on the presumption that replaced parts are fully depreciated)
  - temporarily adapt the code to remove the reporting requirements for gross historical cost and accumulated depreciation
  - provide extra guidance on how depreciation may be applied for infrastructure assets

- 1.4 The CIPFA LASAAC Local Authority Code Board announced an urgent consultation on temporary proposals to update the Code of Practice on Local Authority Accounting in the United Kingdom to address the issue. The consultation ended on 14th June 2022 however it was not able to agree an approach that addressed the concerns of all stakeholders while also supporting high quality financial reporting.
- 1.5 CIPFA and CIPFA LASAAC considered that a sector wide approach to resolution of the reporting of highways infrastructure assets should be sought and further consultation with key stakeholder groups will take place.
- 1.6 They have advised that they will aim to consult in the Summer of 2022 with resolution by Autumn 2022 and we are still awaiting the outcome of this decision.
- 1.7 The three outstanding audit queries that are with officers are currently being addressed and once these and the sector wide issue have been resolved, BDO will be in a position to complete the audit of the 2020/21 accounts.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 In order that the Council can meet its legal obligation to produce audited financial statements.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 Not applicable

## **4. POST DECISION IMPLEMENTATION**

- 4.1 Not applicable

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 The current corporate plan (Barnet Plan 2021-2025) was adopted in March 2021. Following the May 2022 elections, the council now has a new administration and a new corporate plan, consistent with the new administration's priorities will be brought forward shortly.

- 5.1.2 The Annual Statement of Accounts are the primary means by which the Council is held to account for the stewardship of its resources.

### **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 5.2.1 The Statement of Accounts shows the financial position of the council as at 31 March 2021.

### **5.3 Social Value**

5.3.1 None in the context of this decision

#### **5.4 Legal and Constitutional References**

5.4.1 Section 151 of the Local Government Act 1972 requires that “...every local authority shall make arrangements for the proper administration of their financial affairs”.

5.4.2 The Council is a public authority that is subject to the audit of its annual accounts by an external auditor. The Local Audit and Accountability Act 2014, Part 5 specifies the conduct of local audit.

5.4.3 Part 3, regulation 9 of the Accounts and Audit Regulations 2015 requires that the statement of accounts must be considered by a committee or full council and approved by a resolution of that body. The accounts must then be signed by the person presiding at the meeting. The Section 151 officer must then reconfirm on behalf of the authority that they are satisfied that the statement of accounts presents a true and fair view of the financial position of the authority and its income and expenditure for that year.

5.4.4 The 2015 Regulations require that the final approved accounts are published not later than 30th September of the financial year immediately following the end of the financial year to which the statement relates. The audit did not commence until September 2021 and it was therefore not possible for it to be concluded in line with the statutory deadline.

5.4.5 International Standard on Auditing (UK and Ireland) 260 deals with the auditor’s responsibility to communicate with those charged with governance in an audit of financial statements. A link to the website containing ISA 260 can be found in the background papers to this report.

5.4.6 Article 7 of the Council’s Constitution details the functions of the Audit Committee and include “*To review and approve the annual statement of accounts and consider the external auditor’s report to those charged with governance on issues arising from the audit of the accounts*”.

#### **5.5 Risk Management**

5.5.1 A positive external audit opinion on the council’s Statement of Accounts plays an essential and key role in providing assurance that Barnet’s financial risks are managed in an environment of sound stewardship and control.

5.5.2 There are no key risks relating to the production, audit or publishing of the Statement of Accounts identified in the Council’s risk register however, delays to the completion of audits does create a risk in that any issues identified cannot be addressed and resolved in a timely manner.

#### **5.6 Equalities and Diversity**

5.6.1 Accurate financial reporting is important to ensure the management of resources to enable the equitable delivery of services to all members of the community, to reduce the differential impact of the services received by all of Barnet’s diverse communities and to ensure compliance with the council’s duties under the 2010 Equality Act.

## 5.7 Corporate Parenting

5.7.1 None in the context of this decision

## 5.8 Consultation and Engagement

5.8.1 None in the context of this decision

## 5.9 Insight

5.9.1 None in the context of this decision

## 6. ENVIRONMENTAL IMPACT

6.1 None in the context of this report.

## 7. BACKGROUND PAPERS

Committee	Item & Agenda	Link
Audit Committee 15 September 2022	Item 8: Update on the closure of the 2020/21 Statement of Accounts	<a href="#">Agenda for Audit Committee on Thursday 15th September, 2022, 7.00 pm (moderngov.co.uk)</a>
Audit Committee 16 June 2022	Item 9: Update on the closure of the 2020/21 Statement of Accounts	<a href="#">Agenda for Audit Committee on Thursday 16th June, 2022, 7.00 pm   Barnet Council (moderngov.co.uk)</a>
n/a	CIPFA description on the infrastructure assets issue for local authority stakeholders.	<a href="#">Urgent Infrastructure Assets Task and Finish Group   CIPFA</a>
Audit Committee 14 February 2022	Item 7: External Auditor's report 2020-21	<a href="#">Agenda for Audit Committee on Monday 14th February, 2022, 7.00 pm   Barnet Council (moderngov.co.uk)</a>
n/a	Measures to improve local audit delays	<a href="#">Measures to improve local audit delays - GOV.UK (www.gov.uk)</a>
n/a	MRP Guidance issued by government	<a href="#">Statutory guidance on minimum revenue provision.pdf (publishing.service.gov.uk)</a>
n/a	International Standard on Auditing (UK) 260 (Revised June 2016)	<a href="#">Microsoft Word - ISA (UK) 260 Revised June 2016_final (frc.org.uk)</a>
Audit Committee 15 December 2021	Item 7: External Auditor's report on progress of the audit of the council's 2020/21 accounts	<a href="#">Agenda for Audit Committee on Wednesday 15th December, 2021, 7.00 pm (moderngov.co.uk)</a>

Audit Committee 14 July 2021	Item 13: Committee Forward Work Programme.	<a href="http://modern.gov.co.uk">Agenda for Audit Committee on Wednesday 14th July, 2021, 7.00 pm (modern.gov.co.uk)</a>
Audit Committee 28 April 2021	Item 11: External Audit Plan 2020/21	<a href="https://barnet.modern.gov.co.uk/documents/s64729/External%20Audit%20Plan%202021.pdf">https://barnet.modern.gov.co.uk/document s/s64729/External Audit Plan 202021.pdf</a>